HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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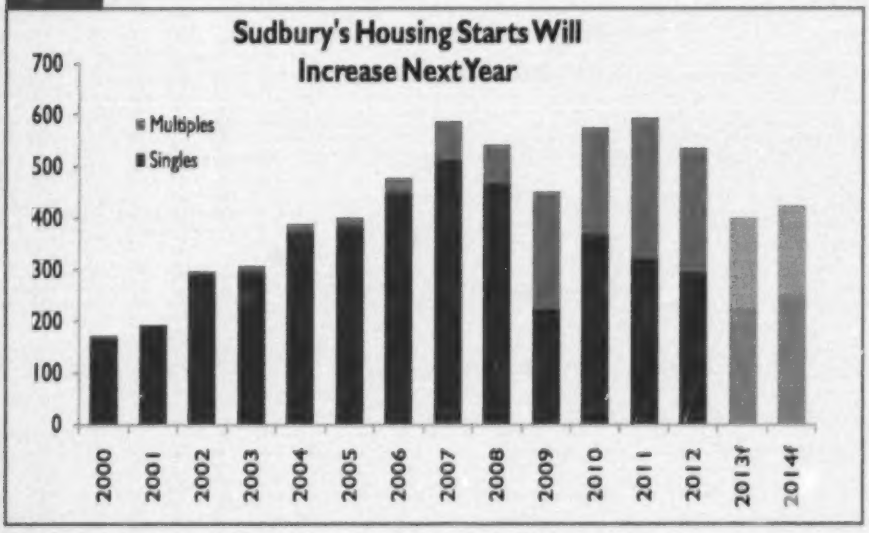
Highlights

- Downward trend in existing home sales in Sudbury will continue for remainder of 2013. However, the existing home sales will gain some momentum in 2014.
- Greater Sudbury home prices will grow by 3.3 per cent in 2013 but only 1.3 per cent in 2014 as listings are expected to adjust to softer demand.
- New housing starts will see 25 per cent drop in 2013 affecting all dwelling types. Recovery in starts activity is anticipated in 2014 with overall increase of 6 percent.

Figure 1



Source: CMHC (Starts Survey); f= CMHC Forecast

The forecasts included in this document are based on information available as of October16 2013.

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Resale Market: Sales will Ease in 2013 but will Gain in 2014

The resale market in Sudbury is expected to remain flat for the rest of 2013. MLS® sales are forecast to decline by 9 per cent in 2013. Global economic recovery and attractive affordability for first time home buyers due to increase in average weekly earnings will drive up sales in Sudbury next year. These factors, along with pull forward demand effect in the second quarter of 2014, will help MLS® sales, which are expected to increase by 4 percent in 2014.

The existing home market had a slow start in the first quarter of 2013. However, the concerns about rising interest rates and higher housing supply exerting upward pressure on demand helped the spring market to compensate some of the earlier sluggishness.

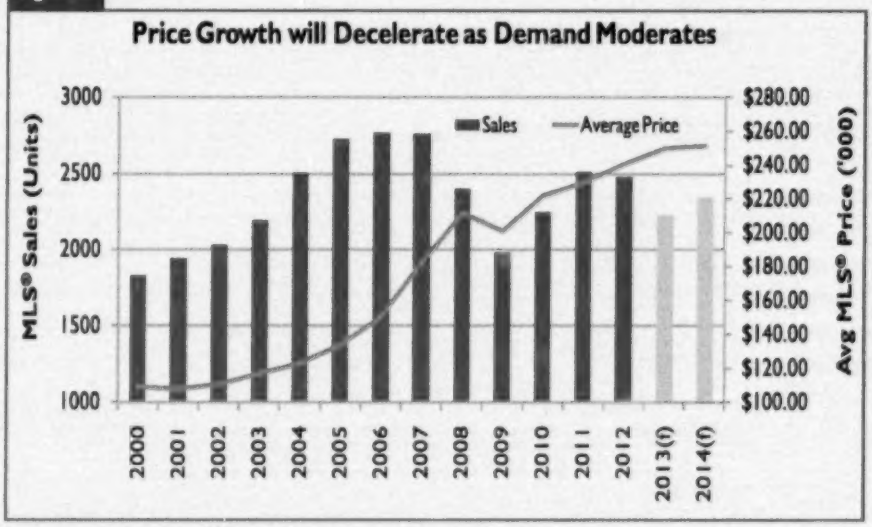
Increased momentum of global economic recovery is expected to help Sudbury's mining sector, which will provide necessary push to Sudbury's economy. Mature mining supply and technology sector in Sudbury will also beneficiate from the 'Ring of Fire' project in coming years. Recovery of mining sector in Sudbury will not only help generate more employment but will have a qualitative impact on business confidence. Additionally, Sudbury is diversifying as other sectors showed some strength recently.

Price increase to decelerate

Sales of resale homes in higher price range helped the average MLS® price to rise in the first half of this year. As this trend continues to dissipate, deceleration of price increase will persist in Sudbury. The average MLS® price is expected to post an annual increase of 3.3 percent in 2013. Rising home prices will encourage some first time buyers to consider less expensive homes which will strengthen demand for more affordable dwelling types and homes in lower price range. This will further dampen the average MLS® price in 2014, which is forecast to register only 1.3 percent increase.

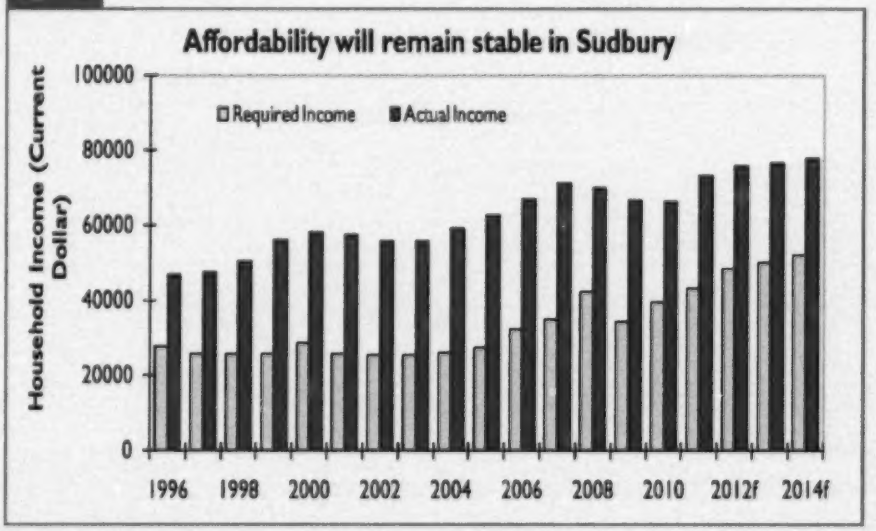
Consistent increases in average home prices countered by corresponding increases in incomes have helped affordability in Greater Sudbury to remain stable now and over the forecast horizon. With average weekly earnings close to the Ontario average but average MLS® price well below

Figure 2



Source: CREA(MLS®); f=CMHC Forecast
MLS® is a registered trademark of the Canadian Real Estate Association

Figure 3



Source: CMHC, Statistics Canada, CREA

the provincial average, Sudbury is still affordable for home ownership.

New Home Market

Total starts in Sudbury are expected to decline by one quarter to 400 units in 2013 as compared to a previous year. Single-detached starts are forecast to end 2013 with 225 units. Given that single-family homes capture 55 percent market share, their behavior mimics that of total starts. New construction activity for apartments gained its ground in 2013 as compared to other dwelling types and is expected to end 2013 with 135 starts.

Last quarter of 2012 saw a surge in starts activity, resulting in 463 units under construction, a level not seen in the last twenty years. Once inventory of under construction units level off close to historical average and demand for existing homes regain ground, housing starts are expected to see some strength in 2014. The forecast for total housing starts for 2014 is 425 units, a 6 percent increase on year-over-year basis. Due to moderation in starts activity for semi-detached and row houses in 2013, and smaller inventory of these dwellings under construction, starts activity for aforementioned dwelling types is forecast to see an increase in 2014.

The average price for absorbed single-detached homes is forecast to increase by 9.5 percent in 2013 as move-up buyers' market will remain more active than first time buyers. Higher construction cost is another factor contributing towards higher prices for new homes.

Rental Market

The Sudbury rental market is forecast to remain stable next year. Average vacancy rate for purpose-built apartments is expected to drop slight to 2.6 percent in 2013 as compared to 2.7 percent in 2012. Sudbury has seen recent upward trend in the construction of purpose-built rental units which will put some pressure on vacancy rate in 2014 and is forecast to increase to 2.7 percent. Increase in employment for 15-24 years age cohort may give an impetus to rental demand in near future.

General economic and housing conditions are expected to support rental housing demand. Employment conditions have been positive and stable, and the current housing market conditions are tipped in favour of renting with consumers more likely to adopt a more cautious posture towards the transition into homeownership from renting. Population growth in the Greater Sudbury is largely migration-driven and new migrants tend to choose renting over home ownership when they first arrive.

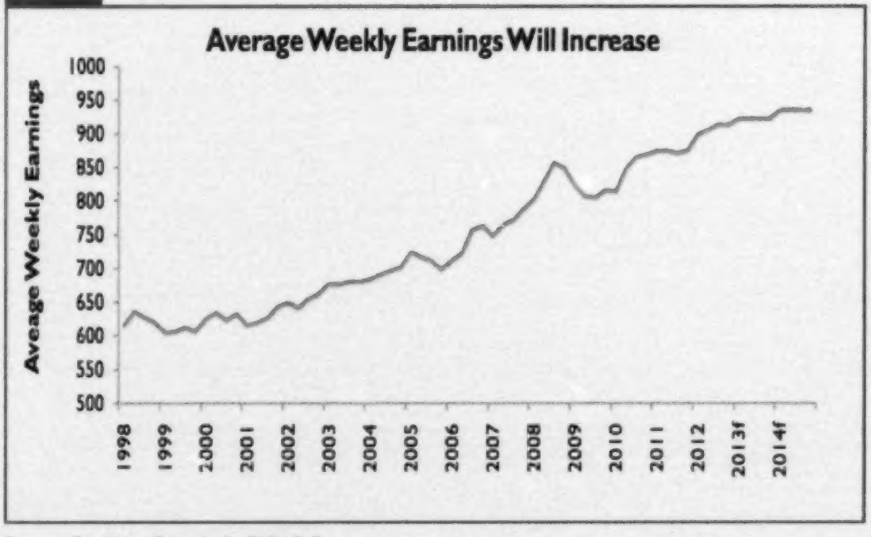
Average rent for two bedroom apartments is forecast to increase by just over 1 per cent to $925 in 2013. The Government of Ontario rent control guidelines will restrict increase in rents in 2014 to 0.8 percent. The average rent for two bedroom apartments in Sudbury is expected to increase by 0.5 percent to $930 in 2014.

Economic Overview

Sudbury's economy grew at a modest pace in 2013 mainly due to slower demand for its key exports, Copper and Nickel. Lower demand for base metals especially from emerging economies like China, Indian and Brazil, has exerted downward pressure on these metals. Copper and Nickel prices are down 9 percent and 17 percent respectively since the first quarter of 2013.

The unemployment level in Greater Sudbury is forecast to drop to 6.8 percent by the end of 2013 and to 6.4 percent by end of 2014. Service-producing industries like health, public administration, education, wholesale trade, finance, insurance and real estate are expected to add

Figure 4



Source: Statistics Canada; f=CMHC Forecast

employment in rest of 2013 and early part of 2014.

Even though mining sector in Sudbury is grappling with sluggish global demand and declining prices of Copper and Nickel, big mining companies are using cost saving measures to weather this storm and avoiding major re-organization of their labor and capital resources. Vale's Challenging Ore Recovery project is a good example of investment in future cost savings by improving efficiency. This project is expected to result in 4 percent increase in metal recovery.

Average weekly earnings increasing in Greater Sudbury

Average weekly earnings in Sudbury remained above Ontario's average during 2012 but slid slightly below provincial average during first three quarters of 2013. However, it is expected to post a 1 percent increase in 2013 and 1.5 percent in 2014. Gains in average weekly earnings in higher paying jobs sectors like Health, education and FIRE (Finance, Insurance and Real Estate) are expected to help overall affordability in Sudbury.

A positive trend in Sudbury's labor market in 2013 is the strength of full time employment which posted 2.5 percent gain during 2013 as compared to part time employment with a decline of 1 percent. With average weekly earnings close to provincial average and growing number of full time positions, Sudbury is well poised to attract skilled and professional labor force through internal and external migration.

Mortgage Rate Outlook

- Mortgage rates to see modest and gradual increases late in the forecast horizon but will remain low by historical standards.
- Following the June meeting of the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve Board, interest rates rose modestly and then remained steady in both the U.S. and Canada. According to the Federal Reserve Bank of New York, this reflected a change in the risk assessment of investors and not a change in the expected future path of interest rates[1].
- CMHC's interest rate forecast mirrors this view. Hence, mortgage rates have been slightly revised up in the third quarter of 2013 but, thereafter, follow the same interest rate path as before. Nevertheless, this interest rate outlook will continue to be supportive of housing market activity over the forecast horizon, as mortgage rates will remain low by historical standards.
- Mortgage rates are expected to increase gradually and steadily over the forecast horizon. By the end of 2014, mortgage rates are forecast to be somewhat higher than in the third quarter of 2013. According to CMHC's base case scenario for 2013, the average for the one-year posted mortgage rate is forecast to be within 3.00 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent. For 2014, the average for the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.00 per cent.

Mortgage rates		
1 Year	Q3 2013	3.14
	Change from Q3 2012	0.04
	2013 (F)	3.00 - 3.50
	2014 (F)	3.25 - 3.75
5 Year	Q3 2013	5.27
	Change from Q3 2012	0.03
	2013 (F)	5.00 - 5.50
	2014 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q3 2013 data

[1] "Preparing for Takeoff? Professional Forecasters and the June 2013 FOMC Meeting." Federal Reserve Bank of New York (2013). Richard Crump, Stefano Eusepi, and Emanuel Moench (http://libertystreeteconomics.newyorkfed.org/2013/09/preparing-for-takeoff-professional-forecasters-and-the-june-2013-fomc-meeting.html)

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Short term mortgage rates are expected to remain at historical low levels which will continue to support housing demand.
Employment	Employment in Sudbury has been stable with service-producing sector remaining stronger. Employment growth and specifically full time job creation will continue to support demand for all types of housing.
Income	Average weekly earnings in Sudbury are close to Ontario's average generating gains slightly above inflation rate.
Population	Positive net migration will stimulate demand for all types of housing in 2013; specifically rental accommodations as new migrants tend to rent.
Resale Market	Resale Market Resale market conditions for 2013 and 2014 are expected to be balanced. MLS® sales will trend lower for rest of 2013 but will regain some strength in 2014, still below 2012 levels.

Forecast Risks

This outlook is subject to some risks, including:

- A stronger than expected U.S. economic recovery could positively impact the global demand for commodities which would put upward pressure on commodity prices and give the incentive to mining industry in Sudbury to increase production. This will contribute to a higher level of activity in Sudbury's housing market.
- Any inordinate surge in the number of newly completed and unabsorbed units' inventory may a have a short term impact as builders may delay or reduce the size of some housing projects. This could lead to a sharper-than-expected moderation in housing starts.
- Elevated levels of household debt and house prices in some urban centres have made the country's economy more vulnerable to some economic shocks. If interest rates or unemployment were to increase sharply and significantly, some of the more heavily indebted households could be forced to liquidate some of their assets, including their homes. This could put downward pressure on house prices and, more generally, on housing market activity.

Forecast Summary
Greater Sudbury CMA
Fall 2013

	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	369	321	294	225	-23.5	250	11.1
Multiples	206	274	242	175	-27.7	175	0.0
Semi-Detached	4	40	48	30	-37.5	40	33.3
Row/Townhouse	25	54	29	10	-65.5	15	50.0
Apartments	177	180	165	135	-18.2	120	-11.1
Starts - Total	575	595	536	400	-25.4	425	6.3
Average Price ($):							
Single-Detached	360,289	372,831	383,665	420,000	9.5	435,000	3.6
Median Price ($):							
Single-Detached	354,900	366,900	369,900	400,000	8.1	420,000	5.0
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	-0.5	0.1	1.3	1.3	-	1.5	-
Resale Market							
MLS® Sales	2,244	2,507	2,478	2,255	-9.0	2,345	4.0
MLS® New Listings	4,673	4,354	4,177	4,041	-3.3	4,150	2.7
MLS® Average Price ($)	221,699	229,485	240,312	248,300	3.3	251,500	1.3
Rental Market							
October Vacancy Rate (%)	3.0	2.8	2.7	2.6	-0.1	2.7	0.1
Two-bedroom Average Rent (October) ($)	840	881	915	925	-	930	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.50	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	81,500	83,200	81,700	82,500	1.0	83,300	1.0
Employment Growth (%)	1.5	2.1	-1.8	0.8	-	0.6	-
Unemployment rate (%)	9.3	6.8	6.9	6.8	-	6.4	-
Net Migration	-994	-281	-334	100	-129.9	700	600.0

MLS® is a registered trademark of the Canadian Real Esate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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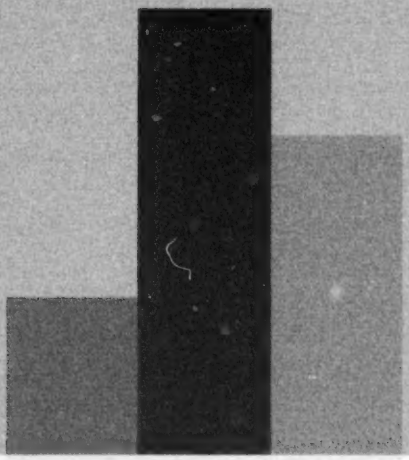

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